

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 IO-13 ISO-00 AGRE-00
COME-00 ITC-01 TRSE-00 SS-15 SP-02 L-03 H-01
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FM USMISSION GENEVA
TO SECSTATE WASHDC 7517
INFO AMEMBASSY BRASILIA
AMEMBASSY BUDAPEST
AMEMBASSY CANBERRA
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY OTTAWA
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY TOKYO
AMEMBASSY WARSAW

C O N F I D E N T I A L GENEVA 3931

E.O. 11652: GDS
TAGS: UNCTAD, ETRD
SUBJ: SUGAR NEGOTIATIONS: TALKS ON PREFERENTIAL ARRANGEMENTS

REF: GENEVA 3710 (NOTAL)

1. SUMMARY: DELEGATIONS ON BRAZIL, AUSTRALIA, CANADA,
JAPAN AND US MET WITH CUBANS ON AFTERNOON OF MAY 17
AT CUBAN INVITATION TO DISCUSS THE QUESTION OF SPECIAL
ARRANGEMENTS. THE MEETING FOLLOWED AN INTENSE DISCUSSION
ON THE SUBJECT IN WORKING GROUP V, UNDER US CHARIMANSHIP,
DURING WHICH BRAZIL, AUSTRALIA, THE US AND CANADA INSISTED
ON TRANSPARENCY IN PREFERENTIAL TRADE ARRANGEMENTS AND
A CAP ON RE-EXPORTS OF SUGAR IMPORTED UNDER PREFERENTIAL
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ARRANGEMENTS. CUBAN MINISTER FERNANDEZ REPEATED THE
ARGUMENTS MADE EARLIER (REFTEL), DESCRIBING CUBA'S
SOCIALIST TRADE AS INDESPENSABLE SINCE CUBA IS (A) IN
PROCESS OF INTEGRATING ITS ECONOMY WITH THE SOCIALIST
COUNTRIES AND (B) EXCLUDED FROM THE US MARKET. MINISTER
FERNANDEZ REPEATED THAT CUBA IS TRYING TO CONVINCE COMECON
TRADE PARTNERS TO ACCEPT GROSS EXPORT ENTITLEMENTS WHICH

WILL LIMIT THE FLOW THROUGH OF CUBAN SUGAR BACK INTO THE FREE MARKET. AFTER NUMEROUS QUESTIONS ON BOTH MAJOR TOPICS, RE-EXPORTS AND TRANSPARENCY, OTHER PARTICIPANTS REMAINED GENERALLY UNCONVINCED, EXCEPT AUSTRALIAN REPRESENTATIVE (DUFTY), WHO STATED THE RE-EXPORT APPROACH SOUNDED REASONABLE IF THE CUBANS COULD WORK IT OUT. END SUMMARY.

2. THE SMALL DISCUSSION GROUP CALLED BY CUBAN MINISTER FERNANDEZ TO DISCUSS THE STOCKY ISSUE OF THE PREFERENTIAL ARRANGEMENTS SECTION OF THE INTERNATIONAL SUGAR AGREEMENT (ISA) MET MAY 17 AND REPEATED THE POINTS MADE IN REFTEL. THE ISSUE BREAKS INTO TWO PARTS: THE FIRST ON RE-EXPORTS BY SOCIALIST COUNTRIES WHICH IMPORT CUBAN SUGAR UNDER THEIR COMMON COMECON CLEARING ARRANGEMENT, AND SECOND THE DEMAND BY THOSE PRESENT FOR DETAILS ON THE VOLUME OF THAT TRADE. IMPORTERS SAID THAT VARIATIONS IN CUBA'S ABILITY TO SUPPLY COMECON'S SUGAR NEEDS WOULD BE A DISTABILIZING FACTOR. THEY NEED TO KNOW WHEN THE USSR OR OTHER TRADING PARTNERS PLAN ON COMING INTO THE MARKET. EXPORTERS DEMANDED SIMILIAR KNOWLEDGE, BECAUSE THEIR EXPORT QUOTAS AND EXPORT TRADE IN GENERAL WOULD BE AFFECTED BY SUCH CIRCUMSTANCES. IMPORTERS (US AND CANADA) NOTED THE IMPLICATIONS FOR ISA MECHANISMS ON QUOTE SUSPENSION AN STOCKS BY THE NEEDS OF CUBA'S SOCIALIST TRADING PARTNERS ENTERING THE FREE MARKET FOR SUGAR TO MEET THEIR JOINT SHORTFALLS.

3. MINISTER FERNANDEZ POINTED OUT THE ON-GOING NEGOTIATIONS ETWEEN CUBA AND THE COMECON IMPORTERS OF CUBAN SUGAR WERE DIRECTED AT LIMITING THE RE-EXPORT OF THIS SUGAR TO THE
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DETRIMENT OF THE ISA. WHEN PRESSED BY THE US AND CANADA ON THIS POINT, FERNANDEZ SAID THE USSR IS ASKING FOR A GROSS EXPORT RIGHT OF ONE MILLION TONS AND THE GDR IS ASKING FOR 100,000 TONS. THE CUBANS ARE TRYING TO SET GROSS EXPORT RIGHTS FOR EACH SOCIALIST TRADING PARTNER SO THEY WILL BE LIMITED IN THEIR EXPORTS. WHILE THE US AND OTHERS WERE NON-COMMITTAL, AUSTRALIA ACCEPTED A SUCCESSFUL EFFORT BY CUBA TO LIMIT RE-EXPORTS AS THE SOLUTION TO THE PROBLEM. THE US NOTED WE ASSUME SOCIALIST COUNTRIES WITH GROSS EXPORT ENTITLEMENTS ARE TO BE SUBJECT TO SHORTFALL AND STOCKING PROVISIONS, JUST LIKE OTHER EXPORTERS. THE MILLION TON FIGURE REQUESTED BY THE USSR, HOWEVER, WAS GENERALLY VIEWED AS UNACCEPTABLY HIGH. A CURRENTLY TABLED US PROPOSAL LIMITS ANY IMPORTING MEMBER TO A RE-EXPORT LEVEL OF 10 PERCENT OF IMPORTS OR 250,000 TONS. THE CUBANS SEEM TO HAVE CHOSEN TO IGNORE THIS ALREADY TABLED PROPOSAL.

4. MINISTER FERNANDEZ SAID THAT IF PROGRESS CANNOT BE MADE ON THIS POINT WE CANNOT HOPE TO COME UP WITH A

SOLUTION TO THE MORE FUNDAMENTAL QUOTA AND STOCK MECHANISMS.
MINISTER FERNANDEZ IS EXPECTED TO JOURNEY TO MOSCOW ON
THURSDAY, MAY 19 TO MEET WITH OTHER COMECON TRADE MINISTERS.
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